

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Livingston and Washtenaw Narcotics Enforcement Team (LAWNET)		County Washtenaw
Audit Date 12/31/05	Opinion Date 1/18/06		Date Accountant Report Submitted to State: 2/9/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

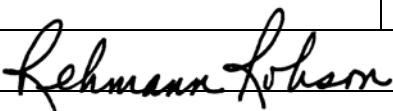
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 			Date 2/09/06	

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Ann Arbor, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2005



REHMANN ROBSON

Certified Public Accountants

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

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REHMANN ROBSON

Certified Public Accountants

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Independent Auditors' Report

January 18, 2006

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the **LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)** as of and for the year ended December 31, 2005, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of **LAWNET** as of December 31, 2005, and the respective changes in financial position thereof, and the budgetary comparison for the major fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented management's discussion and analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2006, on our consideration of **LAWNET's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **LAWNET** taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of **LAWNET**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2005

	Special Revenue Fund	Adjustments	Governmental Activities
Assets			
Cash and cash equivalents	\$ 1,554,427	\$ -	\$ 1,554,427
Interest receivable	6,246	-	6,246
Due from other governments	13,353	-	13,353
Total assets	<u><u>\$ 1,574,026</u></u>	-	1,574,026
Liabilities			
Accrued liabilities	\$ 3,675	-	3,675
Fund balance			
Unreserved, undesignated	<u>1,570,351</u>	(1,570,351)	
Total liabilities and fund balance	<u><u>\$ 1,574,026</u></u>		
Net assets			
Unrestricted		<u><u>\$ 1,570,351</u></u>	<u><u>\$ 1,570,351</u></u>

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Activities and Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2005

Revenue

Forfeitures	\$ 604,546
Intergovernmental:	
Washtenaw County	30,000
HIDTA Grant	89,036
COBIJA Grant	26,781
Other intergovernmental revenue	88,256
Interest	51,620
Other income	14,702
	<hr/>
Total revenue	904,941
	<hr/>

Expenses / expenditures

Public safety:	
Forfeiture expense	53,454
Investigative expense	46,833
Communications	22,410
Personnel	177,958
Training	11,322
Rent	65,424
Equipment	18,664
Utilities	14,525
Office supplies	15,480
Contract services	48,310
Repairs and maintenance	20,292
Vehicle expense	892
Administrative	7,291
	<hr/>
Total expenses / expenditures	502,855
	<hr/>
Change in net assets / fund balance	402,086

Net assets / fund balance, beginning of year	<hr/> 1,168,265
Net assets / fund balance, end of year	<hr/> \$ 1,570,351 <hr/>

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**

**Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget + (-)
Revenue				
Forfeitures	\$ 150,000	\$ 150,000	\$ 604,546	\$ 454,546
Intergovernmental:				
Washtenaw County	30,000	30,000	30,000	-
HIDTA Grant	110,000	110,000	89,036	(20,964)
COBIJA Grant	26,781	26,781	26,781	-
Other intergovernmental revenue	83,894	83,894	88,256	4,362
Interest	51,620	51,620	51,620	-
Other income	4,200	4,200	14,702	10,502
Total revenue	456,495	456,495	904,941	448,446
Expenditures				
Public safety:				
Forfeiture expense	25,205	53,505	53,454	51
Investigative expense	55,000	55,000	46,833	8,167
Communications	31,274	31,274	22,410	8,864
Personnel	181,429	181,429	177,958	3,471
Training	14,600	14,600	11,322	3,278
Rent	74,884	66,687	65,424	1,263
Equipment	71,066	79,263	18,664	60,599
Utilities	12,100	14,540	14,525	15
Office supplies	14,783	15,803	15,480	323
Contract services	66,697	66,697	48,310	18,387
Repairs and maintenance	23,510	21,070	20,292	778
Vehicle expense	4,000	2,980	892	2,088
Administrative	11,900	11,900	7,291	4,609
Total expenditures	586,448	614,748	502,855	111,893
Net change in fund balance	(129,953)	(158,253)	402,086	560,339
Fund balance, beginning of year	1,168,265	1,168,265	1,168,265	-
Fund balance, end of year	\$ 1,038,312	\$ 1,010,012	\$ 1,570,351	\$ 560,339

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM
Statement of Fiduciary Assets and Liabilities
December 31, 2005**

	Agency Fund
	<hr/>
Assets	
Cash and cash equivalents	\$ 41,143
	<hr/> <hr/>
Liabilities	
Undistributed receipts	\$ 41,143
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Livingston and Washtenaw Narcotics Enforcement Team (LAWNET) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of LAWNET's accounting policies are described below:

A. Reporting Entity

LAWNET was formed in 1981 as a cooperative, multi-jurisdictional unit of narcotic investigators comprised of personnel from municipal, county, and state law enforcement agencies within Livingston and Washtenaw Counties. LAWNET is not a component unit of any government.

B. Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, LAWNET uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund also uses the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LAWNET considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

Revenue from grant awards and contributions from local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

LAWNET reports the following major governmental fund:

Special Revenue Fund

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes. The special revenue fund used by LAWNET is used to record its general operations.

In addition, LAWNET reports the following fund type:

Fiduciary Fund

Fiduciary funds are used to account for assets held by LAWNET in a trustee capacity or as an agent for individuals, organizations or other governments.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The non-adjudicated forfeiture fund is an agency fund used to account for cash seized from defendants upon arrest and bonds posted in accordance with the laws of the State of Michigan. This cash is held until the ultimate settlement of the case, at which time the cash is transferred to the special revenue fund, transferred to another governmental agency or returned to the defendant.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

D. Budgets

LAWNET's special revenue fund is under formal budgetary control. The budgets shown in the financial statements were adopted on a basis consistent with generally accepted accounting principles and consists only of those amounts contained in the formal budget approved by the LAWNET Board of Directors.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of LAWNET were adopted on an activity level basis, which is the legal level of control. The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund Type presents the budget in more detail than the legal level of control. Accordingly, at the activity level basis, no expenditures were incurred in excess of the amounts appropriated.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

E. Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include amounts on hand and amounts held by the Washtenaw County Treasurer in the County's pooled cash management accounts.

State statutes require all money, negotiable instruments, securities or any other thing of value to be deposited with the treasurer of the local unit.

F. Donated Services

Substantial services related to the utilization of personnel and personal property are contributed by cooperating law enforcement agencies. The value of these services has not been recognized in the financial statements since the amount is not subject to reasonable estimation. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the donor agency.

G. Fund Equity

Reservations of fund balance, if any, represent amounts that are not appropriable or are legally segregated for a specific purpose. The unreserved fund balance in the special revenue fund represents amounts available for future appropriations.

2. CASH AND CASH EQUIVALENTS

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement Fiduciary Net Assets as of December 31, 2005, follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 1,554,427
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Statement of Fiduciary Net Assets:

Agency Fund –	
Cash and cash equivalents	41,143

\$ 1,595,570

Cash on hand	\$ 72,143
Cash deposited with Washtenaw County Treasurer	1,523,427

\$ 1,595,570

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

The funds held in the Treasurer's pooled accounts are deposited by, and in the name of, the Washtenaw County Treasurer. County funds are also deposited in those accounts and, as such, because of the complexities of FDIC regulation, it is not possible to readily determine the amount of insurance that would be allocated to LAWNET's deposits. Information regarding Washtenaw County's cash management pool may be obtained by writing to Washtenaw County. P.O. Box 8645, Ann Arbor, Michigan 48107-8645.

3. RELATED PARTY TRANSACTIONS

Civilian clerical personnel are employees of Washtenaw County. LAWNET reimburses the County for the payroll and fringe costs associated with these clerical positions. These costs amounted to \$177,958 for the year ended December 31, 2005.

4. RISK MANAGEMENT

During the normal course of its operations, LAWNET is exposed to various risks of loss related to liability, employee injury, and other circumstances. Personnel working for LAWNET are covered by the enforcement agency in which they are employed.

* * * * *

**INDIVIDUAL FUND
FINANCIAL STATEMENT**

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2005**

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	\$ 280,767	\$ 451,672	\$ 691,296	\$ 41,143
Liabilities				
Undistributed receipts	\$ 280,767	\$ 451,672	\$ 691,296	\$ 41,143



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

January 18, 2006

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Livingston and Washtenaw Narcotics Enforcement Team (LAWNET)* as of and for the year ended December 31, 2005, which collectively comprise the Agency's financial statements, as listed in the table of contents, and have issued our report thereon dated January 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LAWNET's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAWNET's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



January 18, 2006

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the financial statements of the **LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)**, for the year ended December 31, 2005, and have issued our report thereon dated January 18, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated January 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAWNET. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of LAWNET's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by LAWNET are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by LAWNET during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. LAWNET has used no significant estimates in the financial statements for the year ended December 31, 2005.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on LAWNET's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by LAWNET, either individually or in the aggregate, indicate matters that could have a significant effect on LAWNET's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAWNET's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the LAWNET Board, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

LAWNET

Comments and Recommendations

For the Year Ended December 31, 2005

During our audit we became aware of a certain issue regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding this matter. This memorandum does not affect our report dated January 18, 2006 on the financial statements of LAWNET.

CREDIT CARD POLICY

Certain employees of LAWNET are granted the use of a credit card, mainly to use in connection with E-Bay auction activity.

However, we noted that LAWNET has not yet established a formal credit card policy, which is required under MCL 129.241. We recommend that LAWNET establish a policy to become compliant with the compiled law, and to enhance the internal accounting control in this area.

* * * * *